

*NEW JERSEY*  
**SMALL EMPLOYER HEALTH BENEFITS PROGRAM**

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<b>ADVISORY BULLETIN</b> <b>97-SEH-02</b>
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**To: SEH Program Members and Interested Parties**  
**Re: State Continuation**  
**Date: April 25, 1997**

The New Jersey Small Employer Health Benefits ("SEH") Program Board recently has considered two issues regarding State continuation of coverage. Both issues have been raised by interested parties, and may affect a number of persons covered under small employer health benefits plans. Carriers should administer their small employer health benefits plans consistent with the Board's interpretations. The statutory provision regarding State continuation of coverage is set forth at N.J.S.A. 17B:27A-27.

**I. A QUALIFIED BENEFICIARY MAY ELECT NEW JERSEY CONTINUATION EVEN IF THERE ARE NO OTHER ELIGIBLE EMPLOYEES COVERED UNDER THE PLAN**

The first issue considered is whether a person who no longer meets the definition of an "eligible employee," because her employment was terminated or her hours of employment were reduced to less than 25 subsequent to her effective date of coverage, may elect State continuation of coverage even if there are no other eligible employees covered under the plan. The SEH Board has concluded that such a person is eligible for State continuation of coverage, even if there are no eligible employees currently covered under the plan. Thus, as long as an employer chooses to maintain its health benefits plan when there are no longer any eligible employees covered under the plan, a carrier must permit a former eligible employee to elect State continuation. This interpretation does not affect the duration of State continuation. Premium for a continuee shall not exceed 102 percent of the applicable premium paid for similarly situated beneficiaries had they been covered under the health benefits plan as an eligible employee.

**II. CARRIERS ARE PERMITTED AND ENCOURAGED TO COVER DEPENDENTS WHERE BIRTH, ADOPTION, OR MARRIAGE OCCURS AFTER QUALIFYING EVENT UNDER STATE CONTINUATION**

The second issue considered by the SEH Board was whether a dependent may be covered by a person on State continuation if the birth, adoption or marriage of the dependent occurred after the event qualifying the former eligible employee for State continuation. While the SEH Act does not prohibit a continuee from covering a new dependent, the standard policy forms appear to prohibit a continuee from covering a new dependent. However, the SEH Board has expressed its intent to modify its standard forms to specifically permit a continuee to add coverage for new dependents. Until the Board has adopted modifications to its standard forms, carriers are permitted and encouraged to extend coverage to new dependents.